



MURANG'A UNIVERSITY OF TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

**UNIVERSITY ORDINARY EXAMINATION FOR DIPLOMA IN BUSINESS
MANAGEMENT**

2017/2018 ACADEMIC YEAR

SECOND YEAR FIRST SEMESTER EXAMINATION

BCA 051- COST ACCOUNTING

DURATION: 2 HOURS

DATE: 18TH APRIL 2018

TIME: 2.00-4.00PM

Instructions to Candidates:

1. Answer **Question 1** and **Any Other Two** questions.
2. Mobile phones are not allowed in the examination room.
3. You are not allowed to write on this examination question paper.

SECTION A – ANSWER ALL QUESTIONS IN THIS SECTION

QUESTION ONE

- a) Discuss any five purposes of cost accounting (5 marks)
- b) Explain the following terms as used in cost accounting
- i. Cost units (1 mark)
 - ii. Conversion costs (1 mark)
 - iii. Cost centre (1 mark)
 - iv. Cost apportionment (1 mark)
 - v. Profit Centre (1 mark)
- c) Prepare a cost statement from the following information for ABC limited for the month of March 2017.

	Ksh
Raw materials	2,000 000
Direct labour	400,000
Factory rent	75,000
Power	25,000
Supervisors salaries	100,000
Administrative expenses	200,000
Selling & distribution expenses	75,000

- d) Highlight five assumptions of cost ,volume, profit(C.V.P) (5 Marks)
- e) Explain five purposes of budget (5 marks)

SECTION B – ANSWER ANY TWO QUESTIONS IN THIS SECTION

QUESTION TWO

- a) Distinguish between direct costs and indirect costs with two examples in each (4 marks)
- b) Define overhead absorption rate (OAR) (2 marks)
- c) Calculate the following overhead absorption rates using the information given below for cost centre 16
- i. Labour hours (2 marks)
 - ii. Percentage wages (2 marks)
 - iii. Percentage on prime cost (3 marks)

- iv. Machine hours (2 marks)
- v. Cost unit produced (3 marks)

Information for cost centre 16 based on budgeted data

	Kshs
Labour hours for the period	14,000
Total direct wages for the period	36,000
Total direct material for the period	75,000
Total machine hours for the period	28,500
Total units produced for the period	5,350
Total overheads for the period	129,000

(12 marks)

- d) Define work in progress (W.I.P) giving different types of W.I.P. (2 marks)

QUESTION THREE

- a) Explain five features of job costing (5 marks)
- b) Design a job cost card for a particular job X,Y,Z that will help in establishing profit or loss of a completed job (5 marks)
- c) Discuss four major elements of a process cost (8 marks)
- d) Differentiate between the following terms as used in process costing “normal process loss and abnormal process loss” (2 marks)

QUESTION FOUR

- a) Identify five principles of cost accounting (5 marks)
- b) Describe two types of costs classified according to behavior in relation to changes in levels of activity (4 marks)
- c) ABC limited manufacturer’s two types of products for printing industry. Budgeted sales of the products known M&N for 2017 are;

Product	Quantity(units)	Price(Ksh)
M	3,000	70
N	7,000	60

Stocks of those products are as shown below;

Product	Opening stock	Closing stock
M	2,000 units	1,500
N	1,800 units	2,500

Required

- i. Prepare a sales budget. (3 marks)
- ii. Prepare a production budget (3 marks)
- d) Highlight five objectives of standard costing (5 marks)